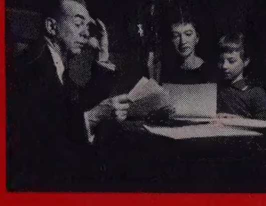
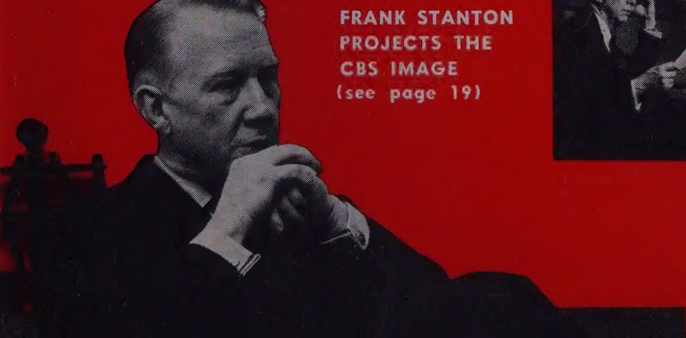
August 5, 1959

Investor's Reader

For a better understanding of business news



FRANK STANTON
PROJECTS THE
CBS IMAGE
(see page 19)



TOURISTS AHOY!

This attractive sailor demonstating some fancy nautical rope tricks aboard the American Export liner *Constitution* is but one of a swelling wave of vacationers who seek their fun on far-away shores this year. The State Department Passport Office expects to issue traveling papers to some 750,000 Americans in 1959 compared to 677,000 last year. Add to this a number of travel-happy voyagers who still have a valid passport (good for two years).

US sight-seers last year spent \$1.5 billion on overseas travel—of which a hefty \$680,000,000 went for transportation. Both these figures are expected to be "considerably higher" this year. Although a fast-rising percentage of these roaming dollars go to the airlines, a goodly share still find a berth in shippers' tills. There they will prove a pleasant if relatively small windfall to the buffeted fortunes of the two main US flag transatlantic carriers: American Export Lines and US Lines.

Due in part to a remodeling job which provided more stateroom space on its *Constitution* and *Independence,* Export reports Fall season bookings up 35% from last year. However the company lost some \$1,250,000 revenues while the two liners were in drydock. Aggravated by the fall-off in freight business which makes up the bulk of the line's volume, first quarter earnings were down sharply and six-month results are also expected to trail last year. In the second half, company officials hope for "a substantially better showing." Last year Export earned \$7.61 a share compared to \$8.09 in 1958 and \$9.53 in 1956.

Similarly troubled by fewer cargo shipments is US Lines which reports passenger business "about even with last year." (Although the *United States* and the *America* provide the glamor, freight accounts for 79% of revenue.) First half profits fell to \$1.86 a share from \$2.43 a year ago. Second half comparisons should be more favorable since the last six months of 1958 were weighted down by loss of a roundtrip on each of the luxury liners due to labor troubles. However full-year figures will still probably trail the \$6.07 a share of 1958 not to mention the record \$9.32 in 1956.

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INDEX PAGE

Investor's Reader

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Sonar Rules—Under the Waves

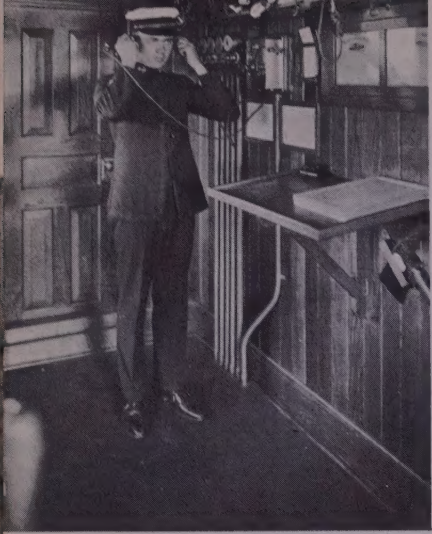
Navy Spends Large Sums to Fight Soviet Submarine Menace

ANY QUESTIONS you might have about the latest technical details of antisubmarine warfare will get you a curt, but polite, "sorry, classified," from the US Navy. But the Navy will talk in generalities and it is a fact out of a total outlay of $5.5 billion for capital goods, research & development it is spending some $1.2 billion directly on antisubmarine warfare. The reason, of course, is the Soviet Union's massive force of some 450 diesel-electric, snorkel-equipped subs, the largest peacetime submarine fleet ever assembled.

A key feature in the effort to combat the Red submarine menace is the Navy's sonar program. No one will say how much of the antisubmarine budget goes for sonar. However unlike the multi-fragmented US missile program the sum is divided among a relatively small number of main contractors and subcontractors.

Sonar (the name is a combo of abbreviations of the words "sound," "navigation" and "ranging") traces its ancestry back to a turn-of-the-century device installed in ships to detect underwater hazards (see picture, pg 2). Developed by Submarine Signal Company (now merged into Raytheon Company, a leading sonar contractor) the device sounded a bell under water, picked up the echo by means of microphones placed below the water line on each side of the ship's bow—an early instance of stereophonic sound. But the really tremendous importance of the underwater ear was not felt until War II use against U-boats.

Nowadays there are two main types of sonar: one active, one passive. The active sonar sends out ultrasonic impulses from a sub-scouting ship. Should a sub be lurk-



Old sonar listening . . .

ing nearby, the waves will bounce back from it and inform the pursuer of its location and distance. Furthermore, as the hunter zeroes in on the prey, it can use sonar information for firing of depth charges, rockets or torpedoes.

On the other hand, passive sonar does not send out impulses and listen; it simply hears the original sounds. It is nowhere near as accurate, although it has the advantage of not giving away its ship's position as active sonar does.

Capabilities of the Navy against conventional subs can be rated as "good", says Vice Admiral William G Cooper, Commander of the Antisubmarine Defense Force of the US Atlantic Fleet. But the Navy must assume that Russia will develop atomic subs capable of launching missiles; "their obvious enchantment with the strategic potentialities of submarine warfare leaves little room for doubt that they will do so."

Most of Navy plans to counter this threat are again "classified". But at a recent Navy League symposium held in Washington Admiral Cooper did point up some new antisubmarine warfare ideas. According to the Admiral, "ranges [in sub-detection] have more than doubled since 1945." And techniques of using the information have multiplied greatly. Hub of the antisubmarine effort is now an aircraft carrier bristling with fixed-wing and helicopter aircraft and aided by a group of destroyers and destroyer escorts. Together these are known by the premeditatedly murderous title of a hunter-killer group. The helicopters can trail sonar devices (called sonoballs) in the water and can set out sonobuoys, units which float freely and relay underwater sounds to passing aircraft.

The aircraft carrier serves as coordinator of all the information coming in from the planes, helicopters, destroyers and destroyer escorts. It stands ready to refuel the destroyers. It is the latter which carry the main knockout punch against the subs, though the planes and even 'copters can launch depth charges.

Undersea Arms. Weaponry, too, is more potent. A gently-named projectile, the Betty, is nothing less than an atomic depth charge. Then there are homing torpedoes; if a submarine tries to elude their visit, they simply change course and follow. The Navy has had a rocket-propelled depth charge for several years and "we expect further devel-

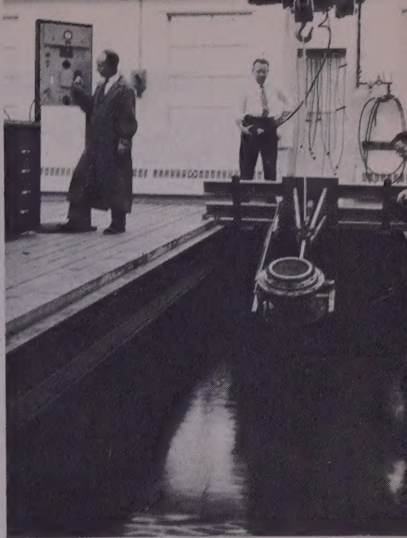
opments along this line to reach the fleet soon," says Admiral Cooper.

Less talked about is a Naval operation called the Caesar project, for which Western Electric Company, (99.8% owned subsidiary of AT&T) was the prime contractor. Sonar units are being anchored off the coastline of both US coasts.

Naturally the Navy has a group of civilian companies under contract to do research & development in sonar and to produce the equipment. Prime contractors include Raytheon Company, Sangamo Electric, Edo Corp, Bendix Aviation, General Electric and Western Electric. A number of other companies known to be active in the field are listed in the table below.

For instance Raytheon was recently chosen to manage a research & development center to be set up by the US and eight NATO nations in La Spezia, Italy. The Boston-area company does its sonar work at its Wayland, Mass facilities and recently took steps to build a new sonar center in Portsmouth, RI. The new facility will employ 1,500 people in three years with an annual payroll of $8-to-10,000,000. While figures on Raytheon's total volume of Navy sonar business are not available, it announced in May 1958 that it had received a $6,000,000 contract for research & development on "a radically new submarine sonar system," which would include "search, attack and communications equipment."

Edo Corp, once known mostly for making airplane floats (pontoons), now says about $6,500,000 or $7,-



. . . new sonar testing

000,000 of an anticipated $10,000,-000 in sales for 1959 should come from sonar and allied equipment.

Another sonar specialist is Bendix Aviation whose Pacific Division in North Hollywood, Cal makes "dunked" sonar units which translate echoes into a picture on a viewing scope in helicopters.

Nothwithstanding these heavy expenditures and efforts, a fool-proof antisubmarine program has still not been worked out. As one sonar man puts it: "There is still a hell of a lot of ocean water to hide in."

SOME SONAR SPECIALISTS

Aerojet-General	Thompson Ramo Wooldridge
Bendix Aviation	Raytheon
Chance Vought	Sangamo Electric
Clevite	Sikorsky division of United Aircraft
Edo	Sperry Rand
General Electric	Texas Instruments
Goodyear	Vitro
Grumman	Western Electric
Ling Electronics	
Lockheed	

INTERNATIONAL ECONOMY
Onward and Upward

NEITHER the tensions in Geneva nor the strike in steel seem to bother the stock market. At presstime the Dow Jones industrial averages punched to a new historic high and the bull markets abroad (IR, June 10) keep right on going.

Two examples: the German stock price index (end of 1953 equals 100) which stood at 300 at the beginning of 1959, now fluctuates around 400. In Italy the stock market soars over 60 times the level reached in 1938.

COTTON
Another Frustrating Year

LAST FRIDAY the 1958-59 cotton year ended. Domestic consumption and exports equalled production, but the equation is not as ideal as it sounds. US warehouses still almost burst with a long accumulated 8,800,000 bale surplus—well above the nation's needs for a year.

As has been true for years, the main problem is the US is pricing itself out of the world market. Shipments abroad in the crop year ended July 31 were only 2,800,000 bales *v* 5,700,000 the year before and an alltime peak of 11,000,000 bales in 1926. Not only is US cotton too high for foreign customers, it is high enough to encourage most successful sales campaigns by domestic makers of artificial fibers. The situation was eased only slightly in the crop year just ended when domestic cotton use reached an estimated 8,700,000 bales *v* a nine-year low of 8,000,000 the year before.

Many people say cotton is a victim of the Federal farm program—it sits on a Government supported price pedestal and no one can find a ladder. In a bold attempt to give farmers more freedom and lower supports, the Government last Spring offered alternative plans for cotton growers. Plan A was plant their normal allotment and receive 80% of parity. Plan B was overplant by as much as 40% and receive 65% of parity. Realistic modern farmers found ready cash more appealing, voted 84.4% of acreage to Plan A.

While US growers with their price props cannot compete beyond the borders, the Commodity Credit Corp sells competitively the surplus it has acquired through loan default, thereby adding more taxpayer losses to the mounting expense of storage and administration.

August Bargains. Another reason for the recent slack in exports is overseas buyers were aware on August 1 the price of US cotton would drop because of higher US Government subsidies to exporters. Ironically a 1956 law states the Agriculture Department must insure US cotton a fair share of the world market.

Because the price is in such a legislative bind, futures trading in the white fluff on the New York and New Orleans Cotton Exchanges has been colorless. The October contract (100 bales or 50,000 pounds) has fluctuated less than 1¢ (100 points) in the last five months, is currently quoted around 32.30.

Expectations are for a bumper Fall crop of perhaps 15,000,000 bales *v* 11,500,000 last Autumn and a record high of 18,400,000 way back in 1937-38. At the end of May, unfilled orders for cotton cloth were the highest in over eight years—enough to sew up textilers' production through the middle of August. Thus some cotton men believe US textile mills will use over 9,000,000 bales in the current year and exports will rise to 5-to-6,000,000. But despite these rosy forecasts it is probable the surplus in 1960 will be as cumbersome as ever.

APPLIANCES
Sunbeam Spread

HOUSEHOLD appliance specialist Sunbeam Corp has busied itself these sunny summer days with a shower of new products. Last month it introduced a deluxe hair dryer, a twin-size electric blanket and an improved steam iron; this month it plans to bring out a lightweight electric can opener; in September it will market an improved roll-around vacuum cleaner.

Chief power of Sunbeam business is its line of small appliances—irons, toasters, coffee makers, mix masters and fry pans. Added push comes from the diverse products of the Hardware & Machinery division. Some items: electric razors; clippers and shears for the farmer; lawn mowers, sprinklers, hedge trimmers and home power tools for the suburbanite; gas & oil furnaces and forges for industry. President Robert Gwinn comments: "Aggressive attention to research & development has made this division come along nicely in the last two years."

On the financial front, Sunbeam is busy expanding after last year's contraction in operating results. In fiscal year 1958 (the year ended March 1959) sales dropped to $90,-800,000 or 15% below 1957 and 30% under the record volume in 1956; fiscal 1958 earnings also slipped to $8,600,000 ($2.78 a share) from the $9,400,000 ($3.03 a share) of 1957 and alltime 1956 peak of $11,500,000 at $3.75.

However in the first (June) quarter of 1959 president Robert Gwinn notes happily: "Appliance sales are running nicely ahead of last year with profits quite a bit ahead of the year ago period." Sunbeam's 3,000,000 common shares reflect this sunny outlook, recently hit an alltime high of 66½. They now trade around 60.

Dinner simmers on Sunbeam products

TOBACCO

Snuff Makers Seek New Lines To Spark Growth

THE BULL MARKET continues to scale new peaks, at the same time dropping common stock yields lower & lower. Thus the stocks in Standard & Poor's industrial index now yield a mere 3%.

One small group which has decidedly not shared in the postwar stock splurge—and consequently offers a comparatively liberal yield around 5%—is snuff. While the 540-stock Merrill Lynch composite index has more than tripled in the past ten years, the snuff group has gained but 26%. In fact, all three Big Board-listed snuff companies (US Tobacco, American Snuff and George W Helme) today sell below their prewar level. Even during the past year and a half when the snuff stocks advanced one-quarter over their 1957 year-end quotations (and drove the yield down from 7%), their recovery failed to match the general market's 50% advance during the same period.

In short, the snuff stockholder must substitute dividend generosity for growth or glamor. But to many a sophisticated city-dweller, the real surprise is "they're still making that stuff at all." True, US snuff production has declined 8% since 1925 while cigaret puffing has quintupled. But a basic demand for snuff has remained, with last year's production at around 34,800,000 pounds. In addition there was a market in 1958 for about 69,300,000 pounds of the other type of "mouth tobacco"—chewing tobacco. President J Whitney Peterson of US Tobacco Company believes "as long as more than 100,000,000 pounds of mouth tobacco are used annually in this country, we don't have to worry. At this rate we can maintain and even improve our position."

The three snuff makers did manage to improve results last year and look for moderate gains in 1959. Also, backed by comfortable-to-strong cash positions, all three are determined to seek somewhat brighter growth prospects through diversification. Efforts to date range from other tobacco products to pretzels and bug-killers.

The three manufacturers had the same parent—the American Snuff Company, a subsidiary of the old American Tobacco Company. When trustbusters forced the huge tobacco combine to dissolve in 1911, American Snuff assets and brands were divided three ways. One company retained the original corporate title, another became the Weyman-Bruton Company (changed to US Tobacco in 1922) and the third member of the group became the George W Helme Company.

American Snuff kept the "dry" or powderlike brands popular in the South and its biggest seller is Garrett. Helme also sells mostly in the South and thus produces mainly dry snuff but has some moist snuffs as well. Railroad Mills, Navy and Honey Bee are its top brands.

US Tobacco Company produces both types, calls its Copenhagen "the world's leading brand of moist

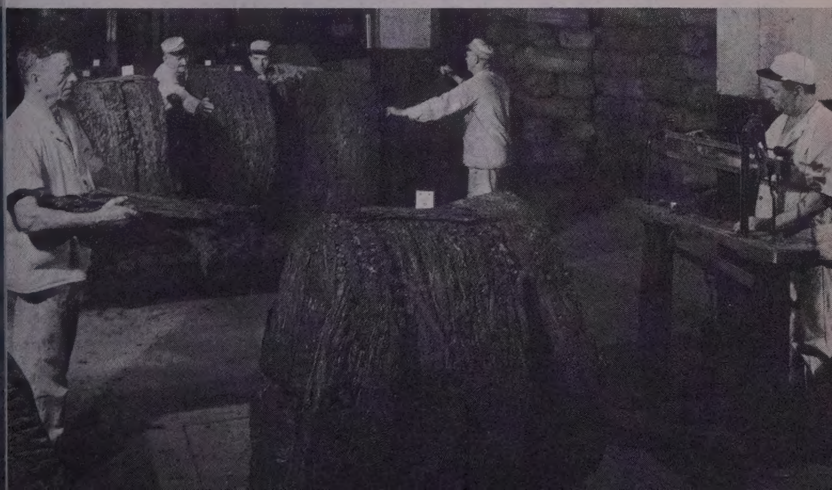
snuff." President Peterson adds: "Our sales are concentrated north of the Ohio River, running both east and west, and there is preference for moist snuff in the North." He also speaks of the basic appeal for his product: "Wherever there is industry or farming you will find snuff sold" since there is of course no fire-hazard with snuff.

Whitney Peterson's **US Tobacco** (UBO on the Big Board) is easily the largest of the snuff trio. Last year it grossed $29,900,000 and netted $3,485,000 or $1.83 a share *v* $1.73 in 1957. Interestingly enough, this 18-year high in profits also easily tops 1929 ($1.30) but not 1932 ($1.91) when the Depression spurred an economy switch to snuff. This year has brought further improvement over the 1958 rate with first half earnings of 93¢ a common share *v* 87¢.

The company began to enlarge its product line way back in 1915 with the purchase of the P B Gravely Company, a plug chewing tobacco maker. Six years later it acquired Joseph G Dill Inc with its well known lines of pipe cleaners and pipe tobacco (Dill's Best). In 1922 it acquired another line of smoking & chewing tobaccos as well as its present name when it bought the US Tobacco Company of Virginia. The company's product list now includes such famous pipe tobaccos as Model, Bowl of Roses, Tweed and Old Briar.

Much later (1951) US Tobacco moved into the cigaret field with the purchase of Fleming-Hall Tobacco Company and its low-nicotine Sano process. President Peterson says: "Sano cigarets are moving slowly but sales are improving month-to-month over last year. This is a specialty product and that is what we need. We can't compete with the big cigaret companies which spend as much on advertising in a year as we spend in our total production." Another UBO specialty cigaret is

US Tobacco's aged leaves ready to blend into snuff



the newly introduced, sweet tasting Mapleton which is "getting a reasonable acceptance."

This week UBO diversifies into non-tobacco lines when it formally takes over Circus Foods Inc of San Francisco. UBO paid $1,200,000 for the canned nut and candy bar producer which had 1958 sales of about $6,000,000 and "will increase parent company volume by about 20%." Prexy Peterson happily feels "it is a business which can really spread out. Its volume could easily go to $7,000,000 by 1960." After this acquisition, snuff will yield a little over half of total UBO sales instead of two-thirds as in the past.

US Tobacco plans to use the same salesmen and retail outlets for both its Circus Food and tobacco products. This is the same plan **American Snuff** (SNU) had in mind when it set up Amsco Chemical Company in 1957. Amsco makes Hot-Shot insecticides. Its plant adjoins parent American Snuff's factory in Memphis. SNU president Martin J Condon III states: "We market both insecticides and snuff through the same channels using one sales force and Amsco is showing a very satisfactory growth. I think it will have a nice increase this year." Another SNU unit, 1952-acquired chewing tobacco maker Taylor Brothers "is also running ahead of last year."

With the aid of its new lines, American Snuff reported record sales of $21,500,000 last year (up 12½% over 1957) and earned $2,424,000 or $4.79 a share *v* $4.51, the sixth consecutive increase. First quarter earnings of $1.64 were a penny better than 1958. Dividends have also moved back up from the $2.40 level of 1953-55 to $3 last year. This also provides a 5% yield at the current price of 60 for the common.

Smallest of the snuffsters is **George W Helme** (GHH) with 1958 sales of $16,300,000. Last year's earnings of $1,566,000 or $2.29 a share fell a trifle below 1957's eight-year high mark of $1,590,000 or $2.30 but remained well above the $1.68 a share netted in 1956.

Helme profits continued to dip slightly early this year with first quarter net off to 55¢ a share from 61¢ reported the year before. Snuff sales were down but the company reported leading pretzel producer Bachman Bakeries (acquired in 1957) "gained over the same 1958 period." Six-month figures now being computed should show an improvement over last year since the earnings of newly acquired Crown Nut Manufacturing Company will be included for the second quarter. Addition of this small peanut & cashew firm (1958 sales of $1,250,000) should aid the modest prediction of Helme treasurer William C Simonson: "Our sales and earnings this year should show an improvement over 1958."

CHEMICALS

Wallace & Tiernan List

TO CLIMAX its 45th birthday celebration Wallace & Tiernan Inc of Belleville, NJ, producer of chemicals, pharmaceuticals, marine instruments and mechanical equipment, two weeks ago listed its 1,-

465,013 shares of common stock on the New York Stock Exchange. On hand to buy the first WLT (new ticker symbol) round lot, at an opening price of 52¼, was president Robert M Jackson. He commented: "This listing will acquaint more folks with our fine diversified company."

In some fields the medium-sized ($30,600,000-assets) company is already well known. Founded in 1913, Wallace & Tiernan pioneered the development of sterilization for municipal and industrial water supplies. Today the company's original line of chlorinators, chemical feeders and materials handling equipment accounts for 20% of total sales. A substantial growth market in this area is assured by new small chlorination units for swimming pools.

However, the bulk of WLT revenues come from newer divisions. The Dover, Ohio and Toronto, Canada plants of the Harchem Chemical division produce sebacic, stearic and oleic acid, capryl alcohol, glycerine and plasticizers for the textile, rubber and paint industries, account for 20% of company sales. Closely allied with Harchem is the Lucidol division (10% of volume) which produces organic peroxides, peresters, and hydroperoxides used as catalysts in polymerization processes for the making of plastics polyethylene, polystyrene and vinyls. According to president Jackson, WLT's greatest growth area lies in the chemical field, especially organic peroxides.

Another growth area is the Baker

NYSE men greet WLT's Jackson (right)

Process division, acquired in 1957. Baker manufactures DO-Maker machines which mix, develop, extrude and pan up to 5,000 loaves of bread an hour. So far this year Wallace & Tiernan reports 17 units sold (price: $125,000 a unit) compared with a total of 20 units for all of 1958.

At WLT's Maltbie Pharmaceutical division which turns out Desenex, anti-fungal agent for athlete's foot; Cholan, for treatment of liver and gall bladder disorders and Nesacaine, a local anesthetic; "several promising projects are underway." Chief executive Jackson adds: "These ventures, if they are successful, would have a strong bearing on 1960 earnings."

In the first half of this year president Jackson figures sales totaled some $25,000,000, up 19% from the first six months of 1958; he estimates earnings hit $1.50 a share compared with 87¢ in the same 1958 period. And viewing the outlook for the full year he enthuses: "Sales could reach a record $50,000,000 with earnings at a new peak of $2.75-to-$3 a share."

WALL STREET
Family Fad

WHEN PAPA BELL, officially known as the American Telephone & Telegraph Company, shattered its self-imposed stern precepts and treated itself to a 3-for-1 stock split this Spring, it did not take long for some of the kids to take a leaf out of Dad's stock transfer books.

In mid-June 90%-owned Pacific Tel & Tel (No 2 among Bell System operating companies and the largest with public stockholders) proposed a 7-for-1 split of its 13,530,000 common shares. The California Utilities Commission gave its consent late last month, leaving only the formality of stockholder ratification. Still uncertain: whether the 19,000 Pacific holders will receive a dividend hike. Since the company has paid $7 on the old stock for the past nine years, the mathematics of the split would seem to invite a $1 rate on the new shares—though stockholders no doubt hope Pacific will follow parental example on this point too (AT&T hiked its payout 10%). In any case, stockholders appear pleased: the Big Board-listed stock has risen from 150 in early June to around 185 currently.

Last week New England Tel & Tel (69%-owned by AT&T) joined the split parade, proposed a 5-for-1 division of its present 4,400,000 shares despite a denial only two weeks earlier that any split "was contemplated at this time." Again there was no word of future dividend plans. The present $8 rate would equal $1.60 a year on the new stock.

The New England Tel move was not entirely unexpected. The stock has risen from a 1958 low of 125 to 161 early this June, then quickly shot up 20 points when the Pacific split raised hopes along the Atlantic. Another sharp move featured the days before the new England directors met. With the announcement out, the stock late last week sold at 198 on the American Stock Exchange.

The only other AT&T subsidiary with stock in public hands is 87% owned Mountain States Tel & Tel whose 4,205,000 shares currently trade around 174 on the Amex.

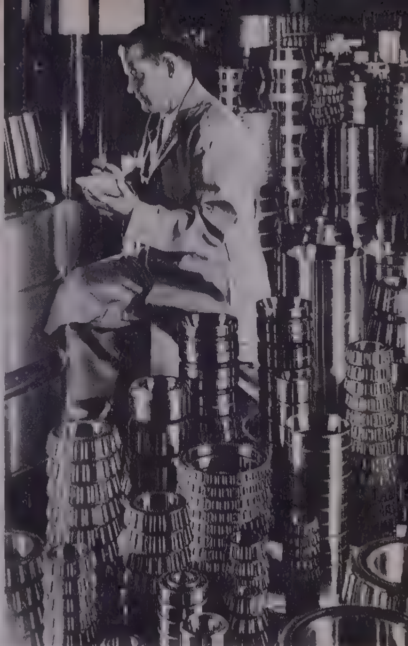
There are also two affiliates in which AT&T holds a minority stake: 21%-owned Southern New England Telephone whose 6,888,000 shares trade over-the-counter around 46, pay $2.20 annually; 30%-owned Cincinnati & Suburban Bell Tel whose 1,374,000 shares fetch around 92 on the Cincinnati Exchange, pay $4.50 a year. Like the other Bell kids, Cincinnati always followed the family fetish against splitting. But Southern New England split its shares 4-for-1 in 1949, a decade before it became fashionable for the rest of its foster relatives.

MANUFACTURING
Timken Rolls on Bearings

ACCORDING to the Association of American Railroads, hot boxes, which can delay a freight train a few minutes to several hours, are still the chief operating difficulty on US freight trains. When the bearings at the end of a freight car axle get too hot (because the lubri-

cation gives out) the axle breaks and can cause a derailment. Last year hot boxes caused 560 derailments. Luckily before the breaking point is reached the bearings smoke, usually giving the crew time to detach or repair the hot-box afflicted car.

Though hot boxes are thus a plague for the railroads (according to the AAR the average freight car suffers one every 200,000 miles), helping to prevent them is a source of livelihood for the Timken Roller Bearing Company of Canton, Ohio. The $167,000,000-assets company, which makes tapered roller bearings for many industries, by mid-July this year had received orders for 16,000 sets of its bearings for freight cars against a grand total of about 30,000 sold in the past 30 years.



Timken's tapered bearings

Timken tapered roller bearings for freight cars come with the grease sealed inside, do not have to be packed with pads or waste to hold the lubricant as do standard freight car bearings. As a result they do not have to be lubricated as often. Timken claims they can be checked in one-tenth the time it takes to inspect standard bearings which are normally checked at every terminal for danger signs. And Timken secretary-treasurer George Deal claims the company's tapered roller bearings outlast the others "many times over. Most of our bearings on freight cars have never worn out."

So far less than 3% of the 1,700,000 freight cars in the US are equipped with tapered bearings because according to Timken, outfitting a freight car with them increases its cost 5-to-6%.

However, George Deal reports so far in 1959, 44% of all new freight cars were ordered with Timken bearings and the rest with standard bearings. According to this score Timken has this year virtually blanked its two main competitors, the Hyatt division of General Motors and SKF Industries, the US subsidiary of the Swedish Ball Bearing Company. Through 1958 the two had claimed 22% to Timken's 78% of the 54,000 freight cars now on tapered roller bearings.

Timken is the world's largest producer of tapered roller bearings for all markets, has made them ever since its formation back in 1898 as a manufacturer of axles for car-

riages. Timken does not release a breakdown of its bearing sales for different uses (in autos, planes, conveyors, machine tools, farm equipment, ships and subways to name a few). However, sales for freight cars are a "significant" portion of this business, according to George Deal. "We believe they will be infinitely more significant in the future [since there are still over 1,600,000 freight cars without them]."

To keep its own costs down the company tries to persuade customers to reduce the number of different-sized tapered roller bearings they use and increase standardization. So far auto and railroad customers have followed the suggestion and the company hopes makers of conveyors, industrial trucks and farm equipment will do the same.

Surplus Steel. Outsiders estimate 60-to-65% of Timken's dollar sales come from bearings. The rest comes from sale of steel (30%) and rock bits—the cutting ends of percussion drills used in building highways and in mining. For use in its bearings the company makes its own high alloy steel (capacity 700,000 tons a year) but it uses only about a third of this. The rest is sold in solid bars, billets and seamless tubing. Timken steel goes into such end products as True Temper golf club shafts, fishing rods, is also consumed in the auto, aircraft and oil industries.

Despite the smooth rolling performance of its principal product, Timken did not glide through the recession. Last year sales declined to $155,000,000 from $205,000,000 in 1957. Net income reached its lo[west] point since 1954 and per sha[re] earnings the lowest since 1949—$11,170,000 or $2.10 a share compare[d] to $20,750,000 ($3.89 a share) i[n] 1957. But operations rolled back t[o] full capacity about a year ago an[d] since then Timken has often had i[ts] three shifts working six days a wee[k].

In the first 1959 quarter Timke[n] earned $1.26 a share *v* 61¢ in th[e] same period a year ago. Secon[d] quarter figures are expected to b[e] even better. Reflecting this opti[mism], the 5,330,000 shares of TK[R] (about 41% of which are closel[y] held) recently hit an alltime high o[f] 59¾; they now trade about 56 o[n] the Big Board. The stock sold as low as 31 in 1958 and hit an alltime low of 3⅞ in 1932.

However, results in the second half are not expected to equal those of the first half. The third quarter is traditionally the lowest because of vacations and the change-over in the auto industry. This year there is the added threat the steel strike may affect Timken.

About 68% of the company's 14,000 employes belong to the United Steelworkers. Their contract expires August 24 and unless there is a settlement with the big twelve steel firms before then Timken will be struck. If there is a steel settlement the union will expect the same concessions from Timken it gets from big steel. (A few Timken plants are not unionized and could keep working for a month or so until parts run out.)

All year Timken has urged its customers to stockpile against a

strike, but little backlog has been built up. Amplifies treasurer Deal: "Business has been so good our products have been going out customer doors almost as fast as they come in."

With such a success story to tell Timken has no plans for diversification beyond its special fields. Treasurer Deal emphasized: "We're definitely not planning any acquisitions. We'll tend to our business and let someone else make the bathing suits. We feel there is room for growth within our own lines."

Go-Carts Go

ONE OF THE latest fads is motorized go-carts which have won fans from General Curtis LeMay to Cathy Crawford, a Jackson, Mich high schooler. The cars cost from $100-to-$300 and can be off-the-road fun for anybody from seven-years-olds up. Some models chug at twelve mph but others go like 60. Manufacturers say the low center of gravity of go-carts make for maximum safety and stability. Most models are powered by a small gasoline engine located behind the seat.

Goer Le May . . .

. . . and goer Crawford

Dozens of companies from Goodyear, Firestone, Goodrich and General Tire to Timken Roller Bearing (see page 10) are making parts for go-carts. Dozens of privately owned firms sell ready-to-go buggies or "do it yourself" kits. One of the larger is Yard-Man Inc of Jackson, Mich, a lawnmower manufacturer which has diversified into go-carts, school furniture and motor scooters.

Yard-Man started making go-carts in January and sent out samples in February. Last week the company reported it had sold over 12,000 for more than $750,000. Sales started speeding up in May and June and are still on the upgrade. The carts are being sold in Firestone Tire & Rubber and Sears, Roebuck outlets and by independent hardware dealers.

Yard-Man's lawnmower making season is now over and go-carts account for about half of the firm's production. Executive vice president Jim Winter feels: "This is no flash fad. It should be a growing business for years to come."

PRODUCTION PERSONALITIES

METALS

President Koenig Fabricates Cerro Growth At Home and Abroad

SUCCINCT and to the point, Robert Purington Koenig leaned back with one leg slung unceremoniously over the arm of his chair in his 300 Park Avenue office the other week and said: "As a businessman, the thing I'm interested in is making money." His ambitions are not personal but geared to expanding the profit potential of growth-minded ($240,000,000-assets *v* $63,000,000 in 1950) metals producer and fabricator Cerro de Pasco Corp which he directs as president and chief executive. The tall (six-foot-four) distinguished president elucidated: "Business is opportunistic and you never know what is going to happen. The only important thing is to have a curiosity about making money. We get together every day for half an hour to see what stones will turn up—and what lies under them."

In the eight years Bob Koenig has held sway at Cerro he has turned over a good many stones—all with a threefold aim of greater income stability and new sources of income within the US as well as an overall increase in earnings for the company's stockholders. As evidence of his success the company today reports consolidated profits before depletion are split 50-50 between mining, smelting and refining in Peru and related fabricating operations in this country.

Cerro mines most of its ores (lead, zinc, copper, gold, silver, bismuth and other nonferrous metals) high in the Central Sierra region of the Peruvian Andes. Smelting and refining facilities are based at La Oroya in the center of the mining area.

The very remoteness of its Peruvian operations also requires a certain amount of self-sufficiency in community life. Not far from the mines the company maintains a 1,000,000-acre ranch stocked with 200,000 sheep and 4,000 head of cattle which supply wool for export and food for the 14,600 employes engaged in its Peruvian operations. Moreover it operates its own hospitals, stores, schools and housing projects, maintains seven hydroelectric plants and 150 miles of standard gauge railroad in the Andes.

Copper in Them Hills. Cerro's vibrant present springs from a romantic past. Around the turn of the century A W McCune, a young miner from Utah, brought back to the United States glowing tales of rich Peruvian copper lodes. Mining entrepreneur James B Haggin, industrialist Henry C Frick, financier J P Morgan, Mrs Phoebe Hearst (the mother of William Randolph) and some others quickly caught the fever. Together they anted up $10,000,000 and started Cerro de Pasco.

During the next 50 years Cerro slowly spread its veins from copper into other ores. But it was not until aggressive Bob Koenig arrived on the scene that the company took on

the well-rounded look it now sports.

To 54-year-old Koenig the mining business was old hat. After his 1924 graduation from Harvard (he majored in geology) he spent two years with Cerro. Then for the next twelve years the ambitious but restless young man earned experience with three different mining concerns, a Wall Street investment house and a coal shovel producer. In 1939 he joined coal miner Ayrshire Collieries as president. He stayed there (save for three years as a colonel heading the solid fuels section at General Ike's SHAEF) until he received a bid from Cerro in 1950.

The hard-working president (he is regularly at his desk soon after 7:30 each morning) keeps a careful tab on all Cerro operations. "I travel to Peru now two or three times a year. I used to get there more often before the fabricating end of the business kept me so busy." Nevertheless he still finds occasional time for some non-mining activity: sailing, do-it-yourself tasks of "all kinds such as building boats," gardening and raising five kids (ages: twelve years to nine months).

Big Buys. Cerro's big change did not come overnight. Following his return to the company Bob Koenig waited awhile "to get the lay of the land." But recently he has averaged a buy a year. Cerro took its first step into metal fabrication in 1955 with the acquisition of Circle Wire & Cable, a Long Island producer of copper rod, bars and insulated wire & cable. A year later Cerro bought Fairmont (W Va) Aluminum. The small fabricator can roll up to 15,000 tons of sheet and strip a year and "if we can make a good deal we will expand some more." St Louis-based Lewin-Mathes which produces copper and brass tube, pipe and rod was acquired in 1957.

Cerro's latest acquisition (approved this March) is Consolidated Coppermines. While Coppermines sold its mines to Kennecott Copper last year (IR, Feb 19, 1958) it still had a neat bundle of working capital ($24,000,000) plus subsidiaries Titan Metal Manufacturing (brass and bronze rods, brass, bronze and aluminum forgings, pressure die castings) and Rockbestos Products which specializes in heat and flame resistant wire & cable.

Titan's brass mills at Bellefonte, Pa and Newark, Cal, supplemented by certain Lewin-Mathes brass mill operations at Monsanto, Ill, provide Cerro with nationally distributed manufacturing operations in the brass mill industry. Rockbestos supplements the Circle Wire & Cable product line. By coordinating the selling and distribution activities of Titan and Rockbestos with those of other Cerro operating units, Koenig expects to reap "significant gains in increased marketing effectiveness."

With the Coppermines acquisition, Cerro now has five US-based fabricating companies employing 4,500 and a string of metal manufacturing plants from Long Island Sound to San Francisco Bay. The company's assets in the US and Canada, virtually non-existent in 1950, now add up to about $120,000,000.

Enterprising Bob Koenig has also led Cerro on a jaunt outside the

metal world. Since 1952 it has sunk some \$3,000,000 into oil drilling ventures in the US, largely in Texas and Louisiana. "While we're not making much money, the income from these oil and gas properties is satisfactory in relation to the money invested." Cerro also has over 2,000,000 acres of petroleum exploration concessions in eastern Peru which "could be used as a source of fuel for our metal operations down there —if we could find any oil." A long range possibility: "Development of a synthetic fertilizer and petrochemical industry in Peru."

New Veins. While fabrication has had the spotlight for the past four years Cerro's mining business has not been forgotten. Playing with his slide rule the president jokes: "After all I'm a miner and I'll never forget it." In the past eight years the company has spent about \$8,000,000 for exploration and development of mineral properties outside its operating mines and it expects a 10% return on investment "or it's not worth it." Like all mining concerns Cerro maintains "active exploration teams," but president Koenig frankly admits "most 'discoveries' result from buying partially developed properties outright or buying into the right mine at the right time, not from beating-the-bush prospecting."

Cerro's biggest participation by far is in the \$230,000,000 Southern Peru Copper Corp (16% owned by Cerro, 58% by American Smelting & Refining, 16% by Phelps Dodge, 10% by Newmont Mining) which holds mining concessions on three large copper properties. One of these, the Toquepala, is due to go into production early next year. Southern Peru's copper deposits contain 12-to-14% of the Free World's reported copper reserves; the Toquepala mine when fully operative should produce about 130,000 tons of copper a year.

The Rio Blanco copper property in Chile—which may turn out to be Cerro's first big mining venture outside Peru—has reserves of some 100,000,000 tons of 1.6% sulphide copper ore. President Koenig figures: "It could be brought into production in about five years. But right now we're just spending money on it. Sometime soon, if our studies add up the way we think they will, Cerro may exercise its option to acquire control of Rio Blanco."

In "refrigeration at the moment" is the Antamina copper property in northern Peru. It has "several million tons of 3% copper and the possibilities are good of proving in excess of 100,000,000 tons of lower grade ore * * * But we'll probably tackle the Chilean mine first."

Other properties "which have been superficially explored": the Tintaya copper deposits (estimated reserves of 15,000,000 tons of 3% copper ore) in central Peru and the Ferrobamba lodes in southern Peru with estimated reserves of 55,000,000 tons of 1.3% copper.

Cerro has also polished up internal expansion. Since 1950 it has poured some \$65,000,000 into plant facilities in Peru. Bob Koenig estimates additional new plant construction and mine development in the

Bob Koenig (left) inspects Peruvian mine

advanced planning stage can boost the company's total production of copper, lead and zinc 40% above 1958 to 200,000 tons a year.

Like all metal producers, Cerro has become more research conscious. Aside from contributions to industry-sponsored research programs, it spends about a half million a year looking for new uses for its metals, cheaper production methods and just plain "tinkering." One reason: the fast-growing aluminum industry is giving other nonferrous producers their keenest competition ever, may push them into a corner. Bob Koenig denies this: "This is a fetish I want to slay. The uses of aluminum have multiplied greatly in recent years but for the most part these are brand new uses. The instances where aluminum has taken over from established metals are very few indeed."

Metal Future. A confirmed optimist, Bob Koenig foresees substantial long-term growth in world demand assuring a place in the sun for all nonferrous metals. He admits any brightening of the metals picture would be an improvement over the doldrums which beset the industry beginning in 1956. Industry overproduction in the face of lower industrial activity and the end of Government stockpiling brought sharp reductions in the prices of copper, lead and zinc. Last Fall the Government added another headache: the stiff Government import quotas (80% of the 1953-1957 import rates) placed on lead and zinc. President Koenig figures "the effect on lead and zinc prices to date, in general, has been a positive one [zinc has risen 1¢ a pound; so has lead]. But this was due to an unexpected basic strength in market

demand which served to buoy up prices at a time when it was commonly felt the imposition of quotas would cause prices to fall."

The rusty industry conditions have taken their toll at Cerro. From a record $136,000,000 in 1956 (including Lewin-Mathes operating results for the full year) volume fell to $115,900,000 in 1957 and shrank to $103,600,000 in 1958. The profit picture is even more jagged. In 1957 consolidated net before depletion plummeted 57% to $5,690,000 or $2.64 a share.

Last year's earnings dropped off to $2.39, even though prices and an improved supply-demand ratio had boosted profits in the last six months of 1958 above the same 1957 period. This year started off with a "substantially better" first half and even though second half comparisons are apt to be narrower the year should show a rebound from 1958.

Cash dividends have followed the fluctuations of company profits. Quarterly payments of 40¢ were cut to 25¢ in March 1958. Beginning with 1951 Cerro has paid a 5% stock dividend (except for 10% in 1956). Withal Cerro stockholders have faith in a shinier future. The 2,360,000 shares of Cerro common have risen to around 39 on the Big Board, up from 24 last year but down again from the early 1959 high of 50. Taking advantage of the improved price Cerro's No 1 stockholder, American Smelting & Refining, last January sold its 10.7% interest in the company at a price of 47. Asarco bought the Cerro stock in 1947.

Meantime such factors as brighter industry conditions, new properties in production and the greatly expanded US fabricating facilities all make for a more optimistic outlook. Asked to forecast 1959 earnings and sales, Bob Koenig remarked: "Wait till I get my swami glass." With a twinkle in his eyes he reached in his drawer, pulled out a crystal ball, returned it and explained: "There are too many variables—strikes, trouble in the Belgian Congo, US pricing itself out of world markets, deflation/inflation. Anyone who makes projections wishes he hadn't." He did say, however: "It is not unreasonable to expect Cerro's earnings the early part of the next decade could be several times what they were in 1957."

Despite his reluctance as a near-term forecaster president Koenig is plenty eager to talk about future plans and goals. They are, naturally enough, to "have Cerro make more money and increase its stability of income." This he hopes Cerro can do through finding additional new sources of income in the US and possibly elsewhere. His reasoning: "While the political situation is reasonably stable in Peru at the moment, as in many parts of the world, Peru could show a greater conviction that what is good for Peru is good for business." Thus the company is pursuing a program of strengthening its fabricating enterprises in the US while constantly keeping its eyes open for new business ventures to enter through new acquisitions, combinations or otherwise.

The Lively Arts of CBS

Entertainment and Electronics Transmit Strong Growth Signal

RIGHT ON Madison Avenue, the spiritual if not always actual hangout for Brooks Brothers-suited advertising executives, stands the 24-story headquarters of the world's largest advertising medium, the $231,000,000-assets Columbia Broadcasting System Inc. Seated behind his marble-topped desk in his 20th floor office articulate CBS president Frank Stanton puffed thoughtfully on his pipe, then outlined: "The semi-predictable sciences, the wholly unpredictable arts, the tasks of gauging public taste and performing public duties, the business of selling and merchandising a wholly intangible product—this is in broadest outline the major activity in which the Columbia Broadcasting System engages."

More concretely, CBS is the colossus in a business which likes to deal with the colossal, an industry which has had probably as fast and surely as controversial a growth as any Twentieth Century phenomenon. It is a network of 246 affiliated video stations and 194 radio affiliates. It owns outright five TV (all in the favored VHF band) and seven radio stations, the maximum permitted under prevailing FCC policy. In addition it owns the nation's top record company (Columbia Records) and is one of the smaller but important phonograph set makers. Last but not least, through its CBS Electronics division, it is a growing factor in the No 1 US glamor industry.

Running this multi-million dollar show is not a professional showman but a full-fledged psychologist with PhD credentials, Frank Stanton. A widely acknowledged idea man, 51-year-old Dr Stanton is chairman of the Center for Advanced Study in the Behavioral Sciences; he is also a trustee of the Government's famed "thought" contractor, the RAND Corporation; a trustee of the Committee for Economic Development; vice chairman of the Commerce Department's Business Advisory Council; a director of the Crusade for Freedom and of the Advertising Council—to name a few.

As Michigan-born, Ohio Wesleyan and Ohio State-educated psychologist Stanton traces his CBS case history: "When I was in graduate school in the field of psychology, I became interested in the communications area— how you move information. Radio was just starting. I wrote a letter with a lot of questions to CBS, NBC, etc. From CBS I got a thoughtful letter which answered some of my questions and then asked me some. We corresponded and when I finished my PhD in 1935 I came here to organize the Research Department. We had a field day with all the research which

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COVER PICTURE: Frank Stanton contemplates three CBS assets: Columbia recorder Leonard Bernstein, TV special *Wonderful Town*, radio regular *The Couple Next Door*.

could be done. I was here about ten years when I was elected president."

TV Turnabout. Radio researcher Stanton has also had a field day since he assumed the presidency in 1946—a year in which television was not much more than an obscure little box and broadcasting was synonymous with radio, period. Television really began to vibrate the airwaves in 1949.

The revenue curves crossed in 1953 and now TV brings in about three-fourths of the CBS gross. Thus the past decade saw a complete twist of the dial. Yet it was a period in which the network was able to shift its frequency without any serious financial static. Frank Stanton monitors this ten-year growth: "In 1949 our net sales were about one-fifth as large as they are today [$412,000,000 in 1958]; net income was one-sixth of net income today [$24,400,000 or $3.10 a share in 1958]. Our plant, property, equipment [$58,500,000] and investments & other assets accounts [$21,000,000] are now better than three times the size of 1949 as is stockholder's equity [$110,000,000]; net working capital [$83,800,000] has grown more than five times."

And the growth continues. In the first quarter sales were up 8% while earnings increased to 87¢ a share from 83¢. For the full year, headman Stanton feels earnings will be somewhat ahead of 1958 and Wall Streeters feel $3.50 a share would be "within expectations."

The stock has also sent out strong signals, now trades close to the all-time high of 48 reached earlier this year or just about double the 1958 low. The former A and B stock was reclassified into a single 8,126,000-share issue early this year. (Chairman William S Paley beneficially owns 10%.) At the same time the 18,700 stockholders were treated to a dividend boost from 25¢ to 30¢ quarterly.

Good Reception. Significantly, the past decade was also the one which saw CBS, very much the junior network when Bill Paley founded it in 1927, pull well ahead of closest rival NBC, the broadcasting arm of Radio Corp of America. In 1958 CBS scored its fourth consecutive year as top TV network.

Formula for this impressive success program is what president Stanton terms "the combination of men and product which equal the CBS image." CBS received reassuring proof this image was received where it counts—ad agencies and corporate advertising departments—through a survey done for the CBS Television Network division by Audits & Surveys Inc of 104 execs in 30 large agencies plus 35 top men at national advertisers. Of those queried 76% said the CBS-TV network did the best programming; 14% named NBC and 10% mentioned both CBS and NBC; 64% of those polled named CBS-TV the preferred network with which to do business; 81% picked CBS as the network for which they would advise a close relative to work.

According to Frank Stanton, once you have the product, the rest is comparatively easy. "CBS is dedicated to the best possible program

schedule which could be devised. Once you have the program, you have the circulation, advertisers are easier to sell, stations affiliate, talent comes."

But this best possible program schedule is not an easy goal to attain—as any professional critic or private viewer can testify. Nevertheless Frank Stanton contends: "You have to do a lot of things in the program schedule. You cannot please all of the people all of the time. Basically you have to inform and to entertain. Of course there is a tremendous bulge in fads but the same is true in books and movies too. Usually the one who leads, holds. We try to anticipate, not just follow popular trends."

Fueling the omnivorous appetite of the medium's demand for news coverage is the 600-man CBS News division, which also serves outside clients in addition to TV and radio affiliates. They fix the unblinking eye which is the CBS television trademark (since 1951) on happenings in all major news centers except Moscow which booted the Columbia Broadcasters after *Playhouse 90* presented "The Plot to Kill Stalin." Starting this Fall, CBS News will break the tradition of the Sunday afternoon "intellectual ghetto" and schedule an hour long special informational program, *CBS Reports,* in prime evening time once a month. Next year this will be stepped up to every two weeks and after that to every week.

On the creative side, CBS has its own stable of 72 full-time producers and directors plus an additional 50 or so creative producers and writers whose TV services are available exclusively to CBS—a group headman Stanton proudly designates as the "only creative programming department in a major network."

Hamlet: SRO audience via video

Nevertheless creative programmer Stanton is ready to admit: "Not as many programs originate in our own programming department as I'd like. Over half the schedule is wholly produced on the outside, one-fourth of our production is done in conjunction with our department while less than one-fourth are our own creations." Some of the notable CBS-originated shows: *Playhouse 90, Ed Sullivan Show, Twentieth Century.*

Rating Rewards. Internally or externally originated, the CBS schedule last season handily won first choice in American living rooms. According to A C Nielson, video

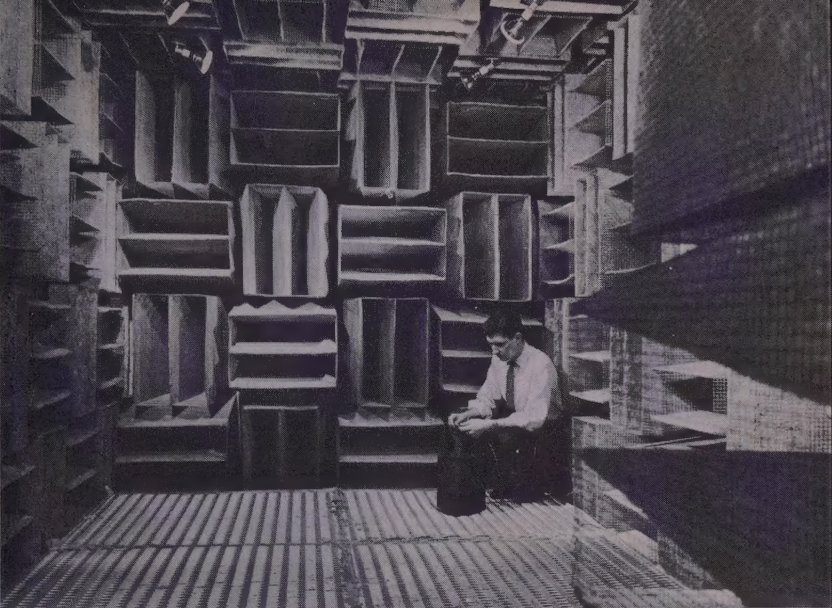
viewers spent 17% more time watching CBS-TV Network programs than NBC and 80% more than ABC. In the all-important night-time hours, the CBS-TV Network increased its claim on viewing time to 25% more than NBC, stayed 62% ahead of fast-riding Western specialist ABC. An incidental item of audience information: "More people [23,000,000] saw *Hamlet* on CBS-TV than combined audiences which have seen this great classic in the legitimate theater in its 350 years." In the past season CBS-TV could claim five out of the Nielson-rated top ten TV evening shows, 20 out of the top 40.

In video billings, CBS-TV Network this past season collected $155,000,000 for a 3.8% increase over the year before; this compares to NBC's 8% increase to $139,000,000 and ABC's 21% increase to $73,300,000. Because of the larger percentage gains of the other networks, some industry observers have raised questions about the CBS growth pattern. Frank Stanton counters: "A network is not like a steel company, you can't operate at 105% of capacity. When you are booked close to capacity as the CBS-TV Network is, it is very difficult to show much of an increase. The other networks have had a great deal more room for improvement than we have. We will still show an increase by filling in empty time periods on the schedule (ie, early morning) as advertisers are anxious to get back into TV advertising. However most of the growth will come from increased circulation."

Much of this circulation increase will have to come from the gradual expansion of the viewing population. The five CBS-owned TV stations in New York, Chicago, Los Angeles, Philadelphia and St Louis, cover 28% of the TV audience. But the FCC rule bars expansion of this highly profitable VHF chain (they bring in 50% of video earnings). As far as network affiliates go, CBS is now "virtually in all the markets which fit the mosaic of the network" and within a dial twist of 99.9% of US set owners.

But the already phenomenal expansion of the TV audience can be broadened by addition of still more sets which will bring more and longer viewing. Frank Stanton chronicles proudly: "It took only 13 years to achieve 44,000,000 TV homes compared to 32 years for radio, 69 for electrical wiring and an estimated 87 years for telephones which are not expected to reach this mark until 1963." Frank Stanton projects: "There are 146,500,000 radio sets in use in the country right now and only—mark I say only—49,700,000 TV sets. There is every reason to believe this figure could exceed 100,000,000 units in the not too distant future."

Recharge for Radio. An increase is also in store for radio. As far as CBS is concerned, it intends to make it an increase in profits. In recent years the radio division as a whole was profitable but all of these profits came from the company's seven owned stations (the same five cities as CBS-TV plus San Francisco and Boston). But the radio network operation which supplies



Special acoustics room for CBS Laboratories sound research

programming to the 194 owned or affiliated stations was a losing proposition, the result of the trend to local music and news programming.

To recharge radio profits, the network inaugurated Program Consolidation Plan (PCP) early this year. Effect of this new program was to reduce "must" network programming by 25% to 50 hours a week, leave more free air space for the station's local interests. But in return the network can now guarantee radio advertisers their programs will be carried by all affiliates at a specified time, not squeezed in anywhere on various schedules as was previously the case. President Stanton reports: "National advertisers are coming back to radio; they see it an important way to reach a lot of people at a lower unit cost."

Frank Stanton also spins a cheery picture for an erstwhile radio-victim, the now happily rolling record business. "Not many years ago the whole record & phonograph business was written off by the public as dead and the death attributed to radio. The records-tapes-phonograph components industry has risen from its deathbed to become today a billion dollar industry." And specifically, "our Columbia Records division has just finished the best first half in its history." A big boon to Columbia record prosperity is the division's LP Record Club, with over a million members on its record-of-the-month lists.

Columbia-pioneered monaural LPs now account for some 70% of the market, though stereo is now coming up strong. Frank Stanton feels:

"Stereo will mean nothing but good."

Stereo also means bigger things for phonograph production, an operation transferred early this year from the record division to CBS-Hytron (now Electronics). In addition, the Electronics division turns out cartridges, electronic components (TV set manufacturing was dropped in 1956) and a whole line of semiconductors, primarily for military and industrial uses. The latter markets now account for less than 50% of the division's volume but president Stanton projects: "We're now pushing harder in military and industrial lines. We're announcing a whole new line of semiconductors for industry and special purposes." In line with the semiconductor push, CBS recently announced a $5,000,000 expansion program to give the operation a new home at Lowell, Mass.

However executive Stanton maintains: "We can show spectacular percentage increases but this operation will remain relatively small in terms of our overall volume. We intend to increase our share of the market but it won't become as large a part of the CBS consolidated structure as it is for some companies."

But the company is not solely sitting by its TV sets. This Spring CBS Laboratories division, which serves not only "the family" but also Government and corporate customers (for example it is working on a tape project for Minnesota Mining), teamed up with parachute specialist M Steinthal to set up Space Recovery Systems, Inc. The new outfit is developing systems and producing equipment to track and recover missile and space vehicle components and payloads.

As far as any other subsidiary or acquisition plans are concerned, president Stanton notes: "We're always alert to good business opportunities. We're not thinking of anything in particular but we'd love for example, to get into another *My Fair Lady*." (In return for original cast recording rights, the company bought a hefty piece of the show.) However, CBS is still heavily committed to the "semi-to-wholly unpredictable" business of broadcasting. As Dr Stanton explains it: "To assume we are anywhere near the upper limit of growth or the state of the broadcast art is soon going to cease to evolve is to put oneself in the position of the Patent Office official who resigned in the 1880s because everything had been invented."

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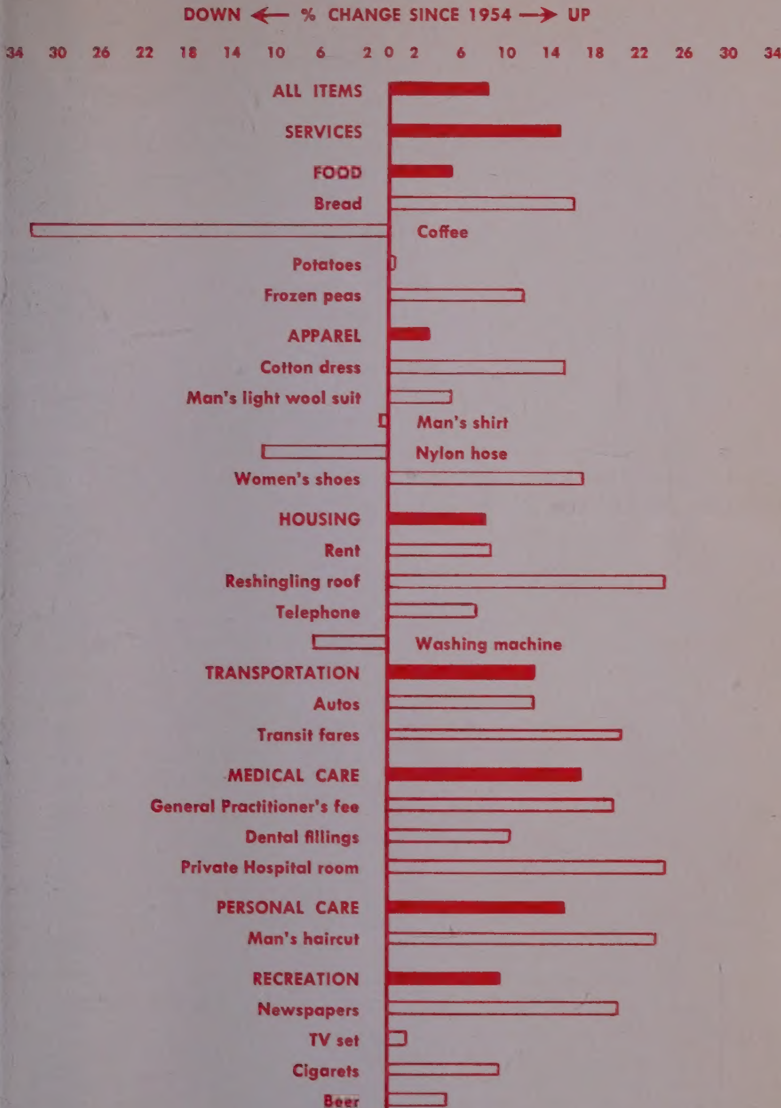
THAT COST OF LIVING



The bars on the above chart speak for themselves and the message is a higher price tag on just about everything. The Bureau of Labor Statistics' Consumer Price Index (100 for 1947-49) rose from 114.8 in 1954 to 123.7 in March. The various categories of the index are quite individual in their fluctuations. Example: medical care has shot from 128 to 144.9, apparel has stayed relatively stable, 104.3 to 107. Some consolation is the overall rate of climb has slowed to half the speed of the preceding five-year period.

"It's too late to correct it," said the Red Queen, "when you've once said a thing, that fixes it, and you must take the consequences."

THROUGH THE LOOKING-GLASS,
Chapter IX

Life is full of irrevocable decisions, of turnings taken with no opportunity for backtracking, of commitments made with no chance of changing plans.

Not so investing. You can change your mind—and your holdings—as often as you like. If you choose a stock that doesn't live up to expectations, you can take the loss and try again. If you make a profit and then decide that there is a better opportunity elsewhere, you can make the change any time you please. If you buy good stocks and then discover that you will need the money for something else, you can easily dispose of them, for there is always a market for good securities.

Perhaps that is why investing in securities appeals to people. They know there is always a margin for error.

The Red Queen may have been right about most things in life, but she was wrong about investing. For there, as perhaps nowhere else, you get a second chance.

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